

## **MSMEs in a Globalising India: Policy Concerns and Possibilities**

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### Abstract

Indian industrial landscape is predominated by the presence of micro, small and medium enterprises (MSMEs) which by contributing towards generation of jobs, use of local resources and in certain instances export earnings have addressed the need for regional economic development. Estimated to be manufacturing over 8000 products Indian MSMEs have grown steadily quite as a negation of the Andersonian prognosis that the small enterprises would, eventually, give way to the scalar advantage of the large. Given the wide variety of products and processes of manufacturing them, MSMEs operate at different levels of technology using primitive and traditional tools and methods to sophisticated modern machineries and materials. Despite various policies for the sector, its performance during the reforms period has hardly been impressive, excepting in a few subsectors.

An important concern affecting the performance and upgrading of the sector has been the vast presence of informality in both the production and labour processes which has serious implications for sustainable business as well as competitiveness. Economic reforms and subsequent policy interventions have not led to a lowering of these challenges facing the MSMEs. However, with the deepening of the engagement of Indian MSMEs with global markets, often through subcontracting arrangements (also termed as global production networks, or, GPNs), a growing number of enterprises in specific sectors have been exposed to global business practices. These 'rent-poor' activities not only undermine the building up of technological capabilities of MSMEs (mainly because the buyers would not share information on the entire value chain) but also expose labour to precarious working conditions.

The shifting of focus from local to global markets has also implied that rural products and low-end domestic markets have somehow missed the attention of the state agencies that are mandated to support micro and small enterprises in these areas. The serious constraints concerning credit, infrastructure and markets particularly in non-metro regions have not yet been adequately addressed. The most prominent among such policy relates to the much-hyped cluster development initiatives, which have become weak due to poor conceptualisation of cluster needs and also an overwhelming sectoral emphasis.

In order to expand market reach – from local to the global – discrete institutional innovations are required that would delineate strategies at several levels, coordinated rescaling being one such approach. The role of the state is not just crucial in these efforts but also requires major reorientation. The presentation attempts to address these issues in some detail and also includes brief examples from the field.